

CITY COUNCIL MINUTES
REGULAR MEETING

KERRVILLE, TEXAS
JULY 26, 2016

On July 26, 2016, the Kerrville City Council meeting was called to order at 6:00 p.m. by Mayor White in the city hall council chambers at 701 Main Street. The invocation was offered by Ms. White, followed by the Pledge of Allegiance led by Ward Jones.

COUNCILMEMBERS PRESENT:

Bonnie White	Mayor
Stephen P. Fine	Mayor Pro Tem
Gary F. Stork	Councilmember
Gene Allen	Councilmember

COUNCILMEMBER ABSENT:

Glenn Andrew	Councilmember
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CITY CORE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Malcolm Matthews	Interim Deputy City Manager
Cheryl Brown	Deputy City Secretary
Sandra Yarbrough	Director of Finance
Kim Meismer	Director of General Operations
David Knight	Chief of Police
Dannie Smith	Fire Chief
Kaitlin Berry	Special Projects Manager

VISITORS PRESENT: List on file in city secretary's office for the required retention period.

1. **VISITORS/CITIZENS FORUM:** No one spoke.

2. **CONSENT AGENDA:**

Mr. Allen moved to approve consent agenda items 2A through 2C; Mr. Fine seconded, and the motion passed 4-0.

2A. Minutes of regular City Council meeting held May 24, 2016.

2B. Professional Agreement for Tennis Professional by and between the City of Kerrville, Texas, and Jess Asper.

2C. Small Enterprise License Agreement with Environmental Systems Research Institute, Inc. for geographic information system (GIS) for the City's mapping use, in the amount of \$25,000.00 annually for three years for the total amount of \$75,000.00.

END OF CONSENT AGENDA

3. **CITY COUNCIL RECESS:**

The Kerrville City Council recessed the regular city council meeting to convene a meeting of the City of Kerrville Employee Benefits Trust at 6:07 p.m. Following the City of Kerrville Employee Benefits Trust meeting, the Kerrville City Council reconvened into regular session at 6:14 p.m.

4. CONSIDERATION AND POSSIBLE ACTION:

4A. Resolution No. 16-2016, authorizing the transfer of the ownership of funds from the City of Kerrville to the City of Kerrville Employee Benefits Trust to pay for employee related benefits for Fiscal Year 2017.

Mr. Allen moved to approve Resolution No. 16-2016 as presented. Mr. Stork seconded, and the motion passed 4-0.

4B. Request for City to abandon and/or convey a portion of H Street as it continues south of its intersection with Water Street.

Mr. Parton presented a letter from Larry Howard requesting the abandonment or conveyance of a portion of H Street. He discussed the details of the right-of-way and utilities and recommended the following: 1) City retain ownership of the portion of the property that contained the well site and drainage infrastructure; 2) City retain ownership of that portion of the property located within 45 feet of the rear section of the existing security fence for the water well; 3) City maintain a drainage easement to accommodate the conveyance of stormwater to the river; and 4) City allow for private improvements to be located across the easement, provided that such improvements would not interfere with the City's use of the property for the dedicated purpose(s). It appeared that the City owned the property in fee simple; however, more title research was needed to confirm. The City would be required to do a finding of public interest for the property.

Mr. Howard stated he had a contract on the adjoining properties and ownership of the subject property was necessary for completion of his project. He agreed to pay for the title search and survey of the property.

The consensus of the Council was to direct the City Manager to complete the research as to the City's ownership of the property, and determine the best way to proceed to sell, and/or abandon, and/or convey the property to Mr. Howard.

4C. Interlocal Agreement pursuant to Interlocal Cooperation Act providing for City's funding participation with Kerr County in the creation of a Hazard Mitigation Action Plan.

Chief Smith reported that state law required jurisdictions to develop emergency operations plans, of which the hazard mitigation plan was an annex. The Texas Division of Emergency Management designated July 7, 2017, as the deadline by which jurisdictions must develop new comprehensive hazard mitigation plans in order to be eligible for state hazard mitigation grants. Kerr County solicited GrantWorks to develop a plan at a cost of \$152,000, and sought city's participation. The federal government would share in the cost at \$114,000, leaving a balance of \$38,000 to be split between Kerr County and other participating agencies; the city's share would be \$3,800. Participation would not obligate the City to Kerr County's projects, and would allow the City to pursue its own grants; however, lack of participation would cost the City about \$60,000 for the development of such a plan.

Mr. Allen moved to approve the agreement as presented. Mr. Fine seconded, and the motion passed 4-0.

4D. Confirm amount of funding from Kerrville Public Utility Board pursuant to Loan Agreement, with proceeds to be used for construction of reuse water pond. Mr. Parton stated that city council passed Resolution No. 09-2016 on March 22, which detailed the specifics of a loan agreement between the City and KPUB whereby funds would be applied toward construction of the City's reuse water reclamation project. That agreement specified that the City would borrow up to \$8.5 million, with a ten year maturity and a fixed 2.4% interest rate; the city should provide the actual loan amount to KPUB by August 1. KPUB received unexpected funds through a settlement agreement with LCRA. KPUB planned to use those funds for KPUB capital projects in 10-15 years; in the interim, KPUB could make a loan to the city and earn interest.

Mr. Parton identified the ten year capital projects at about \$38.8 million, which included major water and sewer projects and construction of a direct potable reuse plant and system. Regarding the water reuse plant, the city sold \$10 million in bonds in 2016, there was \$1.3 million cash in the project budget.; if the KPUB loan was approved at \$7.5 million, the city would have a total of \$18.8 million available for this project. The KPUB loan would be in lieu of borrowing additional funds for this project. City Council previously authorized staff to apply to EIC for an amount not to exceed \$3 million to fund the distribution portion of the water reclamation project. The capital plan also included \$8-9 million for major lift station projects scheduled for FY2019. In reviewing the debt capacity, the city could potentially borrow \$10 million in 2023 and \$5 million in 2026. Mr. Parton noted that project needs outweighed the dollars available, and he was working on a plan to accomplish those projects over time. He recommended council authorize staff to notify KPUB of the city's request to borrow \$7.5 million.

Ms. White asked if Freese and Nichols had delivered the design. Mr. Parton stated that the design plans would be ready end of July or early August 2016, anticipated bidding in November 2016, and under contract for construction early January 2017. The design for the distribution portion of the system would be about two or three months after the initial plans. He anticipated the distribution system and the reclamation plant would be operational March 2018. He noted this funding was included in EIC's budget, with the allocation of funds to be over two fiscal years.

The following persons spoke:

1. Brent Bates spoke against the loan agreement and was concerned that the money was being recouped for future improvements to the City. He only saw debt, not how operations were contributing to operating revenues. He opined that the City should not be in a hurry to borrow funds, and asked if KPUB customers were going to get any refund in the future if the City accepted the loan.
2. George Baroody spoke against the loan; he asked questions about how the interest was calculated and the origin of the funds that enabled KPUB to make the loan.

3. Fred Speck spoke against the loan and opined that the City was borrowing too much money, and that the EIC would provide the funding as proposed.

4. Richard Ellison spoke against the loan and stated that KPUB was a utility service, not a bank or capital investment company; KPUB was supposed to provide utility service to its customers at the lowest responsible price.

Ms. White asked Mr. Hayes to address Mr. Ellison's concerns. Mr. Hayes stated that KPUB had its own legal counsel, who reviewed and approved the loan agreement. Ms. White cautioned that the City might be looking at some kind of a class action, if people decided that the agreement was not legal.

5. Jerry Wolff spoke against the loan and opined that the City did not need to borrow the funds, because they were going to get the money from EIC. He also stated that a 25% contingency was too high and should be no more than 10%.

Council explained that the engineers determined the contingency based on the scope of the project.

6. Robert Naman opined that the citizens should have been asked to vote on selling the general obligation bonds, and that this loan denied citizens the right to vote on the issue.

Ms. White questioned whether the Council believed this loan was legitimate, and if the City needed to go through with the loan. She opined there was no hurry to borrow the funds and asked if the City had received a final cost, or if there would be an adjustment when Freese and Nichols finished the design.

Mr. Parton stated that there may be an adjustment, it was unknown at this time. KPUB was financially prepared to deliver up to \$8.5 million; however staff recommended borrowing \$7.5 million.

Councilmembers noted the loan would save the City money in the long term and it secured the long-term water needs for the citizens of Kerrville. It was a good move for KPUB and the City.

Mr. Stork moved to approve a \$7.5 million loan from KPUB. Mr. Fine seconded, and the motion passed 3 to 1 with Councilmembers Fine, Stork and Allen voting in favor, and Mayor White voting against the motion.

4E. Amendment to Council rules with respect to Councilmember requests for information or assistance. This item was tabled to a future meeting.

4F. Confirmation of the Joint Resolution of the City of Kerrville (Resolution No. 05-2016), Texas; Kerr County, Texas; Kerrville Independent School District; and Kerrville Public Utility Board supporting the adoption of the Rural Project Plan

under consideration by Texas Department of Transportation.

Mayor White reviewed possible TxDOT projects. Council consensus was to have a joint meeting with KPUB, Kerr County, and KISD.

4G. Review of Code of Ordinances for Rabies Vaccinations in Animals.

Lezlee White, citizen, requested changing the required time period between rabies vaccinations from 1 year to 3 years. Council directed staff to review the State legal requirements and bring a recommendation back to Council.

4H. Consideration of Letters of Intent for the provision of reclaimed water between Schreiner University and the City of Kerrville and between Southern Golf Properties and the City of Kerrville.

Council discussed the specifics in the letters of intent between the City and both Riverhill Golf Course and Schreiner University, including the pricing for effluent water to be used for irrigation.

The following persons spoke:

1. Robert Naman asked how much Schreiner University was currently paying. Mr. Parton responded that he would provide him a copy of the study with that information.
2. Jerry Wolff spoke about the new water meters.
3. Russell Nemky, spoke in favor of the effluent water project, opining that it would ensure water for future generations.

Mr. Stork moved to approve the Letters of Intent, and to direct the City Manager to move forward. Mr. Allen seconded, and the motion passed 4-0.

5. INFORMATION AND DISCUSSION:

5A. Receive update from City staff and provide direction on the Fiscal Year 2017 budget.

Mr. Parton reviewed the proposed Fiscal Year 2017 Budget and discussed specific items: TMRS rate would go up January 2017; and the budget included an additional code enforcement officer. The certified tax roll was .5% higher than last year. Intergovernmental revenue was increased due to an CPI adjustment to the County.

5B. Budget and economic update.

Ms. Yarbrough gave the financial report year to date for the period ending June 30, 2016: general fund revenues totaled \$20,361,820 and expenditures \$16,357,682; water and sewer fund revenues totaled \$8,274,978 and expenditures \$7,505,837; hotel/motel fund revenues totaled \$778,579 and expenditures \$707,850; 61 permits for new residential construction and commercial new/remodel construction totaled \$30,610,014. Major permits were issued for Kerr County jail expansion and Schreiner University campus improvements. She provided budget information for four major capital projects: River Trail, Louise Hays and Lehmann/Monroe Park,

athletic complex, and reuse pond/distribution.

6. APPOINTMENTS TO CITY BOARDS AND COMMISSIONS:

6A. Appointments to the Golf Course Advisory Board.

Mr. Fine moved to appoint Marion Giesecke, Matthew Hayes and Nicholas Villanueva to the Golf Course Advisory Board, all with terms to expire July 1, 2018. Mr. Allen seconded, and the motion passed 4-0.

7. ITEMS FOR FUTURE AGENDAS:

- Transcript of the Mayor's interview on July 15, 2016 on Rev FM Radio.
- Section of the City Charter that specifies the manner in which a councilmember may or may not give direction to City staff and contracted organizations such as CVB or KEDC.
- Chapter 18 animal control regulations.
- Review of the Freese & Nichols, Inc. design for the effluent pond.
- Review of the amendments to the BTP contract.

8. ANNOUNCEMENTS OF COMMUNITY INTEREST:

- July 29, Movies in the Park, Louise Hays Park.
- Butt-Holdsworth Memorial Library summer programs in progress.
- Caution should be used when playing the virtual "Pokemon Go" game
- Heart of the Hills Golf Tournament underway.
- Performances on-going at the Cailloux Theater.

9. EXECUTIVE SESSION: None

10. ACTION ON ITEM DISCUSSED IN EXECUTIVE SESSION: None

ADJOURNMENT. The meeting adjourned at 8:20 p.m.

APPROVED: _____

ATTEST:

Bonnie White, Mayor

Cheryl Brown, Deputy City Secretary